

**Building a Demand- Driven Workforce Development System in Kentucky:  
A White Paper  
Kentucky Workforce Investment Board - May 2003**

*“Unless the skills gap within the United States is closed and employers can find the workers they need, and job seekers have the skills to pursue the opportunities that will exist, then America’s economy will remain extremely vulnerable...The stakes are high: freedom of trade and commerce; personal and political liberty; and national and individual security.”*<sup>1</sup> With these words, U.S. Assistant Secretary of Commerce for Economic Development, David Sampson, articulated the critical nature of creating and maintaining a world-class workforce development system in America.

So what are these skills that workers need? And how effective have our education and workforce systems been in preparing and delivering qualified candidates to the business community? Significant research, at both the national and state level, has been conducted over the past several decades to answer these very questions. Unfortunately, after a review of the research and literature, it is evident that very little has changed or improved in terms of the perception of the business community about the effectiveness of our workforce and education systems.

In 1988, a joint initiative of the U.S. Departments of Labor, Education and Commerce issued a report entitled *Building a Quality Workforce*<sup>2</sup>, which stated that the “basic skills gap” between what business needs and the qualifications of entry level workers is widening. Additionally, it concluded that employers are practically unanimous in their concern that competencies of entry-level workers are deficient in such skills as reading, writing, math, communication, problem solving, teamwork and adaptability.

In 1991, the widely acclaimed SCANS (*Secretary’s Commission on Achieving Necessary Skills*) report *What Work Requires of Schools*, was issued by the U.S. Department of Labor. This report drew three major conclusions: 1) All American high school students must develop a new set of competencies and foundation skills...<sup>3</sup> 2) the qualities of high performance that characterize our most competitive companies must become the standard for the vast majority of companies, large and small, local and global; and 3) the nation’s schools must be transformed into high performance organizations in their own right.

More recently in 2001, the National Association of Manufacturers (NAM) and the Center for Workforce Preparation (CWP), an affiliate of the U.S. Chamber of Commerce, released separate reports whose findings were all too familiar. The NAM report, *The Skills Gap 2001*<sup>4</sup> concluded: “U.S. manufacturers face a persistent skills gap in the workforce, despite an economic downturn and despite billions of dollars spent on education and training initiatives in the past decade.... Moreover, the major skills lacking in hourly workers...are those basic employability skills (attendance, timeliness, work ethic, etc.), with reading, communication and math skills ranking as a second cluster of deficiencies.” The CWP report, *Keeping Competitive*<sup>5</sup>, found that one-third of the employers surveyed say that applicants are poorly skilled, while an additional one-third report that applicants have the wrong skills for the jobs available. Additionally, forty percent cite “a well trained staff” as key to remaining competitive.

Between September 2001 and April 2003, the Kentucky Workforce Investment Board (KWIB) hosted four business roundtables throughout the Commonwealth in order to find

out what major workforce challenges the business community faces, and how the public workforce development system might help them to address these issues. Unfortunately, the feedback from these Kentucky meetings was very consistent with the national research conducted over the last fifteen years as described above. The following is a summary of the workforce challenges articulated at these Kentucky roundtables:

**Challenge #1: Skills Gap**

- Job applicants and incumbent workers do not have the basic foundation skills and work ethic needed by business. These foundation skills include such areas as applied math, communication skills, reading, critical thinking, team skills, technological literacy, understanding of the need for life-long learning, life skills to balance home and work, and leadership skills.
- There are industry and occupational sectors that are experiencing serious labor shortages, even during the current economic downturn. These areas include health care occupations, teachers, skilled trades and multi-skilled, industrial maintenance personnel. From the demographic projections, we know that these shortages will become even more severe over the next decade.

**Challenge #2: Communication and Promotion of Services**

- Business and industry do not feel that there is effective communication among the education, workforce and business communities. Businesses feel that education and workforce agencies do not really listen to businesses' needs.
- Businesses do not always know what they really need in terms of workforce services, and thus could likely use some assistance conducting a simple needs analysis.
- Where services are available to the business community through one-stop centers, many businesses are unaware of the one-stop service functions or often know it as the "unemployment office." Marketing and promotion are critical.

**Challenge #3: Recruitment and Retention**

- There is a general lack of available workers at all skill levels. Again, this problem will only get worse as the economy improves and the demographic trends play out over the next decade.
- Businesses are having difficulty in matching applicants' credentials or skills with job openings. Businesses need to be able to easily access the pool of potential workers with specified skill sets.
- Businesses stated that the one-stop centers are not screening applicants as well as they would like, including such things as reference checks, drug screening, and skills assessments.
- Retention of workers is a significant problem in terms of businesses remaining competitive and profitable. Businesses need technical assistance in ways to increase retention. One such retention issue was the need for affordable health care insurance (particularly for small businesses) and affordable, day care options.

**Challenge #4: Responsiveness to Business Needs**

- Businesses stated that public educational institutions and workforce partners are generally not timely, flexible, efficient or responsive in meeting their training and workforce needs. Businesses indicated that they could use more short term and customized training options, as well as distance learning opportunities. Additionally, training and continuous education needs to be more accessible and convenient for students/workers.

- State agencies, educational institutions and one-stop centers need to be more proactive in helping businesses to solve workforce development challenges- they need to deliver solutions, not programs or services.

**Challenge #5: Enhanced Partnership Development**

- Businesses and public agency personnel both indicated that the education, workforce development and business partners do not have the type of systemic partnerships that are needed to adequately prepare and grow our workforce.
- Businesses stated that the K-12 educational system needs to better prepare students for careers, the world of work and lifelong learning. This includes preparation for employment and education beyond high school, as well as an understanding of career pathways. Identifying and institutionalizing best practices in career development and school-to-career programs could accomplish this.

**Challenge #6: Integration of a Diverse Workforce**

- With an increasingly diverse workforce, employers need assistance in effectively integrating diverse populations into their workforce. With new immigrant populations, culture and language barriers are a challenge to employers. Additionally, as boomers reach retirement age and the worker shortage becomes even more severe, employers will need assistance in integrating older workers and other non-traditional workforce entrants.

In summary, the Kentucky business roundtable feedback is very consistent with the research that has been done on a national and regional level over the past several decades. We know what the issues are, but unfortunately the perceptions of the business community have changed very little since the 1980s. Urgency is now upon us to take collaborative and deliberate action. At a system level, there are reasons to be optimistic in Kentucky: the Kentucky Education Reform Act (KERA), higher education reform and the formation of the Kentucky Community and Technical College System (KCTCS), adult education reform, early childhood education reform, the maturation of the one-stop system under WIA, the Kentucky Virtual University, and the work and strategic plan of the Innovations Commission and the Office of the New Economy (ONE). There are also some existing promising practices that address the challenges, but have yet to be fully systematized - expansion of the Kentucky Employability Certificate (KEC) which provides a common language for both education and business; the KMSS and the WorkKeys system; collaborative outreach services to business coordinated through the one-stops; the Workforce Alliance; the adoption of a state brand for the one-stop system (Kentucky WorkNet); and development of a resource guide for businesses.

However, we have a long way to go. Our challenge remains to build a strong demand-driven workforce development system that engages all partners to work collaboratively toward solutions to these issues and continuous improvement over the long haul. We must take meaningful action steps that expand current best practices, identify and implement new strategies and evaluate outcomes in relation to Kentucky's enhanced economic competitiveness. There is no final destination in this fast changing, global economic environment. Success in creating a world-class workforce in Kentucky will only be reached if all partners enter into the strategic journey with determination, commitment and action. The time is now!

#### Endnotes – KWIB White Paper 2003

1. David Sampson, remarks, National Governor's Association 2001 Workforce Development Policy Forum, New Orleans, La., December 7, 2001.
2. *Building a Quality Workforce*; A Joint Initiative of the U.S. Department of labor, U.S. Department of Education and U.S. Department of Commerce, July 1988.
3. *What Work Requires of Schools*, A SCANS Report for America 2000, The Secretary's Commission on Achieving Necessary Skills, U.S. Department of Labor, June 1991. See web site for details: <http://wdr.doleta.gov/SCANS/>
4. *The Skills Gap 2001*, National Association of Manufacturers, Anderson, Center for Workforce Success, 2001, page 1. See web site for details: <http://www.nam.org/secondary.asp?TrackID=&CategoryID=19>
5. *Keeping Competitive: A Chamber Report on Hiring, Training, and Retaining Qualified Workers*, Center for Workforce Preparation, An Affiliate of the U.S. Chamber of Commerce, September 2001, page 2. See web site for details: <http://www.uschamber.com/cwp/publications/reports/default>